

# ***The Alliance***

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## ***of Western Milk Producers***

Mr. David Ikari, Chief  
Dairy Marketing Branch  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814

July 31, 2007

RE: Hearing to Consider Changes to the Nonfat Dry Milk Sales Reports

Dear Mr. Ikari:

The Alliance of Western Milk Producers is responding to the Notice of Public Hearing issued by the Department on June 29, 2007. We are proposing a change to the current methods for collecting and reporting nonfat dry milk sales information, which could be addressed administratively because it does not require a change to the existing Stabilization and Marketing Plans for Market milk for Northern California and Southern California (Stabilization Plans). However, in making our proposal, we are following the precedent established by the Department's acceptance of Western United Dairyman's submission as a valid petition. Accordingly, we request that this proposal be accepted as an alternative proposal. We recognize that if our proposal is accepted the Department would simply modify an existing procedure.

Until just recently, sales of organic nonfat dry milk were not reported to the Department. We believe that excluding organic nonfat dry milk powders from the reporting process is the correct procedure to follow, and propose that the Department remove from the list of eligible products dry milk products derived for organically produced milk. These types of products have distinct and higher pricing mechanisms as well as higher underlying cost structures than undifferentiated nonfat dry milk. They are also marketed by a very small number of processors in California. Including those types of value-added products in the sales reporting process incorrectly increases the weighted average nonfat dry milk price and, thus, the Class 4a price that all nonfat dry milk processors are required to pay. We anticipate that the result of our proposed change to the products that are included in the reporting process will be a more accurate reflection of the market price for extra grade and Grade A nonfat dry milk for human consumption, as specified in the Stabilization Plans.

While our proposal makes only one change to the current methods for collecting and reporting nonfat dry milk sales information, further changes may be warranted in the future. In particular, we note that the National Agricultural Statistics Service (NASS) is reviewing their own non fat dry milk sales reporting procedures. After NASS issues a final rule, it may be appropriate to revisit the procedures that the Department uses to collect and report nonfat dry milk sales.

Thank you for considering our proposal.

Sincerely,

William C. Van Dam, CEO

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